Fund report, April 2024
Global Value
Equities

Sparinvest

MARKET TO FED: HURRY UP!

Stocks declined as Fed cautions over cuts

Markets declined in the month as concerns over elevated interest rates in the U.S., rising tensions in the Middle East and fading hopes of an economic improvement in China all weighed on stocks. The MSCI World ended the month with a decline of 2.75%, the worst performance since the final month of 2022.

In the U.S., Federal Reserve chair Jay Powell, recognizing that inflation was stickier than expected, recalibrated expectations for near term interest rate declines. This recalibration pushed market expectations for a first-rate decline to later in the year, and even raised the small possibility of the need for a further rate rise. This change in tone led to a significant decline in U.S. equities, leaving the U.S. market as the worst performing major market in the month, with the MSCI USA index declining by 3.19%.

Although broader global economic and geopolitical concerns weighed on all markets, European markets were relative outperformers, with the MSCI Europe index declining by only 0.91%. Although markets such as Germany and France were weaker than the overall European index, as economic weakness weighed on equities, the standout performer was the United Kingdom. The UK stock market ended the month with strong positive returns driven by the sector composition of that market, which skews heavily towards commodity companies, a strong performing part of the global market.

U.S. interest rates rose in the month in response to changing language from the Federal Reserve, however the U.S. yield curve remains inverted, signally market expectations for an economic slowdown.

Stock volatilities rose as markets declined

The Portfolio declined by 3.79% in the month, underperforming MSCI World which declined by 2.75%. The underperformance of the portfolio was due to some negative sector exposures as well as some negative stock selection. The MSCI World Value index declined by 2.43% in the month, outperforming the MSCI World. The outperformance of the Value index relative to the broader market came from the Value index having a more defensive sector allocation. Relative to the MSCI Value index, the underperformance of the portfolio was due in part to the sector allocation, in particular the underweight to some defensive sectors such as Energy, as well as some negative stock selection.

Defensive sectors such as Energy, Utilities and Consumer Staples were the best performing sectors in the market during the month as the market sell-off drove a rotation from previously strong performing sectors into year-to-date underperformers. Weakest sectors, along with the interest rate sensitive Real Estate sector, were Information Technology and Consumer Discretionary sectors, both of which contain stocks that were beneficiaries of the very narrow markets during the first quarter.

Despite the negative overall stock selection in the month the portfolio did benefit from some positive contributions from individual holdings. Philips, a Dutch based medical technology company, benefitted from a lower than feared litigation settlement in the U.S. Alcoa, a U.S. aluminum producer, also performed well as the price of the underlying commodity rose. German health care company Fresenius was also a strong performer in the month as it announced the launch of new drug in the U.S.

See performance and fund data Click here >

Strategy
Global Value invests in global equities from developed markets, cf. the fund's prospectus. Stocks are selected using the value strategy, meaning that through careful fundamental analysis, the team strives to identify companies that trade at healthy discounts relative to intrinsic value. A risk-aware approach to the portfolio construction ensures a well-diversified portfolio and broad exposure across sectors and regions.